

Testimony before the Michigan House Energy and Technology Committee
Tuesday, May 14, 2013
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Good Morning, Mr. Chairman Nesbitt and Members of the Michigan House Energy and Technology Committee. Thank you for holding open testimony and this public hearing on Public Act 286 of 2008. I am also including testimony on PA 295 of 2008 as both statutes work together as part of a comprehensive energy policy for Michigan. My name is Robert Craig and I'm President of a small consulting business, Craig & Associates Consulting, Inc. which I formed in 2010. My firm provides professional agricultural economic analysis, feasibility studies, new market and product research, economic development assistance as well as promotion, marketing and management services for Michigan food, agriculture and natural resources companies or organizations. I also have been involved in renewable energy market development and energy efficiency and I am a certified MSU Dairy Farm Energy Auditor.

I understand that the State Legislature is looking at possibly changing Michigan's 2008 Energy Law, specifically trying to raise the 10 percent cap on electric competition in Michigan. My view on this is that it would have a detrimental effect on businesses in Michigan, particularly small business. I oppose raising the 10% RPS or cap on electric competition at this time. My recommendation is that the State of Michigan should maintain the current law including the 10% RPS through 2015 and see whether or not we actually achieve its potential benefits to businesses, especially small businesses, and other electricity customers. After 2015, I support an objective economic study of Public Act 295 of 2008 and PA 286 of 2008 and public reporting of the study results. After the study in 2016 is complete there may be an opportunity then to cost-effectively expand Michigan's RPS and make any other needed changes. I believe that PA 295 and PA 286 was wise legislation and Michigan made the smart choice in 2008 by diversifying into renewable energy as well as providing incentives for energy efficiency as part of a comprehensive energy policy. Small businesses need certainty and reliability regarding Michigan's 2008 energy law and should see its implementation to 2015, not change and volatility.

Note that I supported the current law PA 286 and PA 295 including the 10% RPS back in 2008 while I worked in State Government (Michigan Dept. of Agriculture). While in state government from 1991 through 2009, I was involved in a variety of state energy public policy issues including being an advocate for renewable fuels, transportation biofuels, new product development and research, use of market and tax incentives to foster renewable energy development and clean technology task forces, that all resulted in state legislation being adopted by both Republican and Democrat Governors and bi-partisan majorities in both Legislative chambers.

At the same time, renewable energy market development in Michigan was also positive in adding value to local farms and agri-businesses, created local jobs, reduced energy costs and reduced energy-related environmental impacts. Thus these areas helped grow and expand our agriculture and food industry, which is Michigan's 2nd largest industry, currently valued at \$91 billion and employing nearly 1 million people. With the renewable fuels and renewable energy development over the past 15-20 years in Michigan, we have had energy cost savings from reduced fossil fuel use that also helped meet Clean Air Quality laws which protect our natural environment and public health.

An important aspect of the PA 295 of 2008 is that biomass was included in the definition of renewable energy. Many think of only wind turbines or solar panels for renewable energy, yet they forget about biomass. While smaller, biomass is another important form of renewable energy. According to the MSU Product Center in 2010, Michigan ranked 9th in the nation in terms of electricity production from biomass—first in Great Lakes region in electric generation from wood and second in the region in electricity from other biomass such as with anaerobic digesters. Focus is on biomass as a feedstock for heat and electricity.

For utilities, an excellent example of renewable energy use is the T.B. Simon Power Plant at Michigan State University in East Lansing which uses coal, natural gas and biomass as energy sources to power the power plant. MSU began burning Biofuels in 2007 on a trial basis at the T.B. Simon Power Plant. Many types of Biofuels have been used on an experimental basis, from woody biomass to corn starch pellets. The MSU Plant and Soil Sciences department has contributed from its test crop of switchgrass, which is a promising new source of renewable biofuel energy. Use of biomass has reduced harmful air emissions and greenhouse gas emissions while providing a new market for forestry and agricultural crop producers.

Next while I was in the MDA, we were also a Program Partner in creating the Michigan Farm Energy Audit Program which is administered by the Michigan State University Biosystems and Agricultural Engineering Department in coordination with MSU Extension and Michigan Agricultural Energy Council. This program aims to reduce energy use on Michigan farms and rural businesses while maintaining or improving overall productivity, safety and operator comfort. It is geared towards training, technical assistance, continuing education development for certified Michigan farm energy auditors and administration of the certification process.

Electric rates are driven primarily by geographic and fundamental supply and demand structural factors, which include electricity consumption, access to fuel sources, and generation mix. In addition, other factors such as changing fuel prices, renewable energy mandates, state and federal regulations, variable weather patterns and environmental compliance costs as well as various low-income subsidies, all have an impact on rates.

My small consulting business is home-based, so I'm subject to the residential electric rate by Consumers Energy and my own consumption amounts. For comparison purposes, I looked at my own Consumers Energy bills for March 2009 and March 2013. It showed electric use of 858 KWH in March 2009 at a 10.8 cents rate per KWH and 486 KWH use in March 2013 at a 13.6 cents electricity rate. My electric portion of my March 2009 Consumers Energy bill was \$92.63 whereas in March 2013 it was only \$66.75. Despite higher electricity rates, my Consumers Energy bill is lower in 2013 due to lower electric use. My electric use is significantly lower as I practice energy conservation, conducted an in-home energy audit and utilize energy efficiency programs available to me from my utility. I believe it's important to look at not only electricity rates, but consumption amounts also to understand what's happening to electric bills in Michigan.

I believe that current law PA 295 and PA 286 of 2008 was wise legislation and Michigan made the smart choice in 2008 by diversifying into renewable energy as well as providing incentives for energy efficiency. I encourage you to maintain the current law through 2015.

Thank you.